

Commonwealth of Massachusetts
State Treasurer & Receiver General Timothy P. Cahill
Debt Management Department



Request for Qualifications
PUBLIC FINANCE INVESTMENT BANKING & UNDERWRITING
SERVICES

September 11, 2008

KEY INFORMATION SUMMARY SHEET

Commonwealth of Massachusetts State Treasurer's Office
Requests for Qualifications
For Public Finance Investment Banking and Underwriting Services

Procurement Officer:	Colin MacNaught Tel.: (617) 367-9333 x226 Fax: (617) 227-1773 Email: cmacnaught@tre.state.ma.us
Submit Proposals to:	State Treasurer's Office Attn: Colin MacNaught One Ashburton Place, 12th Floor Boston, MA 02108-1608
RFQ Issue Date:	September 11, 2008
Deadline for Receipt of Questions:	September 15, 2008 @ 3:00 p.m. (E.D.T.)
Responses Due Date:	September 26, 2008 @ 12:00 p.m. (E.D.T.)
Anticipated Award Date:	October 15, 2008*

* Preliminary estimate and is subject to change.

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
Section I: Guideline for Request for Qualifications (RFQ)	3
1.1 Description of RFQ	3
1.2 RFQ Schedule of Events	3
1.3 Submittal Requirements and Procedures	4
A. Notification of Intent to Respond	4
B. Responses to RFQ	4
1.4 Submitting the Statement of Qualifications	4
1.5 STO Terms & Conditions	5
Section II: Miscellaneous Information on the RFQ	6
2.1 Award of Qualification to Serve as Member of Commonwealth Pool of Underwriters	6
2.2 Term of Selection	6
2.3 News Releases	6
2.4 Participation of Minority-Owned and Women-Owned Firms	7
2.5 Questions and Inquiries	7
2.6 Bond Counsel and Legal Questions	7
2.7 Rating Agencies and Credit Questions	7
2.8 Oral Presentation	7
2.9 Acceptance of Terms and Conditions	7
Section III: Scope of Services and Requirements	8
3.1 Background	8
3.2 Selection of Syndicate Members for Transactions	8
3.3 Scope of Services	9
A. Book-Running Senior Manager or Co-Senior Manager	9
B. Co-Manager	10
Section IV: Evaluation and Selection Criteria	10
Section V: General Information	11
I. Background on Firm	11
II. Personnel	11
III. Contacts of Firm Officials	12
IV. Licensing, Disclosure of Legal or Regulatory Investigations, etc.	12
V. Affirmative Action Policies	12
VI. Credit Strength	12
VII. Underwriting Experience and Capacity	12
VIII. Capital Structure / Ability & Willingness to Commit Capital	13
IX. Exposures, Expected Write-Downs, etc.	14
X. Financing Recommendations	14
XI. Derivatives	15
XII. Costs	15
XIII. Other	16
XIV. Legal Disclosure Certification	16
Appendix A Personnel	17
Appendix B Contacts at the Firm	18
Appendix C Disclosure, Licensing, Registration, Disciplinary Action & Litigation	19
Appendix D Underwriting Fees	22
Appendix E Legal Disclosure Certification	23
Appendix F Northern Ireland Notice & Certification	24

REQUEST FOR UNDERWRITER STATEMENT OF QUALIFICATIONS

Timothy P. Cahill, Treasurer and Receiver-General of the Commonwealth of Massachusetts, is requesting that firms interested in providing bond underwriting services to the Commonwealth of Massachusetts commencing October 15, 2008, submit a Statement of Qualifications to this office by 12:00 p.m. (Eastern Daylight Time) on Friday, September 26, 2008. The Statement of Qualifications should respond to the following request and its questions outlined below.

Firms selected as part of this process will be placed in pools of underwriters and may be appointed as book-running Senior Manager, Co-Senior Manager, or as Co-Manager to underwrite bonds, notes, commercial paper, and other debt obligations issued by the Commonwealth on a negotiated basis by the State Treasurer's Office (STO).

The current Senior Manager and Co-Manager underwriter pools expire on October 15, 2008. If your firm is currently a member of one of these pools and would like to continue to provide services to the STO, you must submit a new response to this request for Statement of Qualifications.

SECTION I. GUIDELINES FOR REQUEST FOR STATEMENT OF QUALIFICATIONS

1.1 Description of Request for Qualifications (RFQ)

Timothy P. Cahill, Treasurer and Receiver-General of the Commonwealth of Massachusetts, requests a Statement of Qualification from firms interested in providing investment banking and underwriting services related to the negotiated sale of notes and bonds of the Commonwealth subsequent to the completion of the RFQ process. The STO will be selecting book-running senior managing underwriters, co-senior managing underwriters, and co-managing underwriters as a part of the RFQ process. Firms responding to the RFQ are required to prepare and submit their Statement of Qualifications in accordance with the directions contained in this document.

1.2 RFQ Schedule of Events

The STO has established the following schedule for selection of firms to perform underwriting services:

RFQ Calendar:

<u>Target Date</u>	<u>Event</u>
September 11, 2008	Issuance of RFQ by STO
September 15, 2008 @ 3 PM (EDT)	Deadline for Receipt of Questions to STO
September 26, 2008 @ 12 PM (EDT)	Deadline for Submission for Statements of Qualification
October 15, 2008	Completion of Evaluation (subject to change)

The above schedule is subject to change upon notice from the STO. Schedule changes and/or other RFQ revisions, including date, time and place changes, if any, will be e-mailed to respondents who have notified the STO of their intent to respond (please see **Section 1.3 part A.**).

Any questions regarding this RFQ or the selection process may only be made via email to Colin MacNaught, Assistant Treasurer for Debt Management at cmacnaught@tre.state.ma.us (please see **Section 1.3 part B.**), who is the procurement officer for this RFQ. No firm submitting a proposal may make any inquiries with respect to this RFQ to any other employee or agent of the State Treasurer's Office, the Executive Office for Administration & Finance, or any other state agency official until final selections have been determined. Failure to adhere to this provision may result in disqualification.

1.3 Submittal Requirements

A. Notification of Intent to Respond:

If intending to respond to this RFQ, please immediately send the (i) Firm Name, and (ii) Name, E-Mail Address and Telephone Number of person preparing the Statement of Qualifications response to the following email address: cmacnaught@tre.state.ma.us. The subject header of the email message should read: "**Notice of Intent to Respond to Commonwealth Underwriter RFQ**". While not required, providing this information allows the STO to distribute additional information, if any, to potential respondents. Any individual or firm who received this document from a source other than from the STO or the STO's website should immediately contact the STO according to the email procedure outlined above. Any prospective respondent who fails to notify the STO with this information assumes complete responsibility in the event that they do not receive amendments to the RFQ or other communications, if any, from the STO prior to the closing date of the request for Statement of Qualifications.

B. Responses to RFQ:

Written responses to this RFQ must be received no later than 12:00 P.M., Eastern Daylight Time, Friday, September 26, 2008, in sealed envelopes or other package(s) marked "**Commonwealth Underwriting Services RFQ**", at the following address:

**State Treasurer's Office
Attn: Colin MacNaught
One Ashburton Place, 12th Floor
Boston, MA 02108-1608**

1.4 Submitting the Statement of Qualifications

Please submit six (6) left-side bound originals, and one (1) unbound copy, in a form suitable for photocopying, of all materials representing your firm's Statement of Qualifications. The front cover of said Statement of Qualifications should include the firm's name, proposal title of "**Commonwealth of Massachusetts Request for Underwriter Qualifications**", and due date. Please also specifically indicate on the cover page whether your firm is proposing to be qualified as a book-running senior managing underwriter, a co-senior managing underwriter, or a co-managing underwriter, or a combination thereof. Responses to the RFQ may not exceed twenty (20), one-sided, 8 ½ x 11 inch pages. Each firm's proposal should be printed in 10 pt. type or larger with reasonable margins. The aforementioned page limit excludes a transmittal letter, appendices and attachments. Each response shall be accompanied by a signed transmittal letter, no longer than two pages, setting forth the pertinent aspects of the Statement of Qualifications and for which category or categories of underwriting a firm wishes to be considered for qualification. Proposals should be formatted and tabbed in the exact form and sequence as in this RFQ. Additional information, if any, should be added at the end of the Statement of Qualifications response and

appendices under its own tab(s). When answering specific questions from the RFQ, each question should be restated immediately before the response to that question. Spiral binding is preferred and the use of ringed binders is discouraged.

Respondents should allow sufficient mail and internal delivery time to ensure timely receipt at the STO. Any Statement of Qualifications and/or unsolicited amendments to a Statement of Qualifications arriving after the closing date and time specified in **Section 1.2** will not be considered. Statements of Qualifications may not be submitted by facsimile or email. Respondents may provide an additional copy of their Statement of Qualifications by email or on a compact disk if they so choose, but this will not satisfy the submission procedures outlined above, including the submission deadline.

1.5 STO Terms & Conditions

- i. While the STO may consider a negotiated sale of Commonwealth debt obligations to the selected underwriting syndicates, the STO reserves the right to sell these obligations at competitive sales at any time. This includes before and after the designation of any associated underwriting syndicate(s).
- ii. The STO is not required by law to conduct this RFQ and reserves the right to cancel or withdraw this RFQ at any time and for any reason.
- iii. The expectations, plans, and requests expressed in this RFQ are not to be considered a commitment or contract in any way.
- iv. The STO reserves the right to suspend or terminate any subsequent services in whole or in part with or without cause.
- v. Although firms submitting a proposal may not make any inquiries with respect to this RFQ as described in **Section 1.2**, the STO reserves the right to contact firms regarding existing agreements with the STO due to market conditions or if the STO determines it is in the best interest of the Commonwealth. Such existing agreements would include but not be limited to commercial paper, remarketing agreements, swap agreements, and/or liquidity facilities.
- vi. Statements of Qualifications may not be submitted by facsimile or e-mail.
- vii. Statements of Qualifications delivered after the specified time and date will not be considered.
- viii. The STO reserves the right to request additional information or clarification of information from firms responding to this RFQ and to effect any agreement deemed by the STO to be in the Commonwealth's best interest with one or more of the firms responding. Additionally, upon reviewing the Statements of Qualifications, the STO reserves the right to have certain firms make oral presentations.
- ix. By submitting a proposal, respondents accept in all respects the conditions of this RFQ, including that all Statements of Qualifications will become the property of the STO and will not be returned.
- x. All materials submitted by respondents will be subject to the public records law of the Commonwealth of Massachusetts after the notice of intent to award or not to award is announced. This information will be available for public inspection at the STO. No Statement of Qualifications submitted to the STO can be marked as confidential, and any material so marked will be considered public record, pursuant to Massachusetts law.

- xi. The STO is not liable for any costs incurred by respondents, including, without limitation, costs related to the preparation of Statements of Qualifications or oral interviews.
- xii. A firm may withdraw and resubmit a Statement of Qualifications prior to the deadline. However, no withdrawals or re-submissions will be allowed after the deadline.
- xiii. The STO reserves the right to negotiate the terms of the responses with the selected respondent prior to commencing services. If negotiations cannot be concluded successfully with any selected respondent(s), the STO may negotiate with the other respondents.
- xiv. The STO reserves the right to accept or reject any or all Statements of Qualifications in response to this RFQ, waive minor informalities, irregularities, or non-conformities, and to accept only the most qualified response in the judgment of the STO. The determination of whether an RFQ condition is substantive or an informality shall reside solely with the STO. Any Statement of Qualifications deemed by the STO to be unresponsive to the RFQ requirements or that fails to fully disclose requested information may, in the STO's sole discretion, be rejected.
- xv. Joint Statements of Qualifications will not be accepted. Multiple Statements of Qualifications will also not be accepted.

SECTION II. MISCELLANEOUS INFORMATION ON THE RFQ

2.1 Award of Qualification to Serve in Commonwealth Pool of Underwriters:

The STO will qualify those firms to serve as members of its underwriting syndicate whose responses to the RFQ are deemed to provide the most beneficial services to the Commonwealth. This determination will be at the sole discretion of the STO. It will be based primarily upon firms' quality and completeness of RFQ response; firms' qualifications and experience underwriting transactions of the size and structure that the STO expects to bring to the market over the next three years; cost, service, innovation, adequacy of its affirmative action program, and/or other factors considered relevant by the STO.

2.2 Term of Selections:

The STO is seeking qualified investment banking firms for underwriting services in connection with Commonwealth general obligation, special obligation, grant anticipation notes and other bond/note issuances. The STO expects to utilize the services of firms selected pursuant to this RFQ for a three-year term commencing with October 15, 2008 (preliminary and is subject to change). The existing pools of underwriters will expire on that date and be replaced by the firms chosen as part of this RFQ. The STO reserves the right to use other underwriting and financial service firms for sale of Commonwealth debt obligations from time-to-time on a case-by-case basis.

2.3 News Releases:

News releases pertaining to the RFQ or any part of the RFQ shall not be made without prior written approval of the STO.

2.4 Participation of Minority-Owned & Women-Owned Businesses

The STO is committed to diversity and equal employment opportunities among its contractors, including underwriters. The STO encourages all firms, including firms that are minority-owned or women-owned, to submit responses to the RFQ. The STO is committed to making a good faith effort to achieve 5% MBE/WBE participation in each negotiated underwriting. In a negotiated sale, the STO has better control on the amount of participation of such firms, and will use its best efforts so that qualified MBE/WBE firms are included in the selected underwriting syndicate(s).

2.5 Questions and Inquiries

All questions and inquiries should be directed in writing to Colin MacNaught, Assistant Treasurer for Debt Management at cmacnaught@tre.state.ma.us, procurement officer for this RFQ (see **Section 1.3 part B.**). Questions must be submitted via e-mail and received before 3:00 p.m. (Eastern Standard Time) on Monday, September 15, 2008. Oral questions will not be permitted. If the questions or inquiries pertain to a specific section of the RFQ, the page and section number(s) must be referenced. No other employee of the STO or agents of the STO, including bond counsel, should be contacted until the RFQ process has concluded and firms have been notified of their award of qualification or non-award.

2.6 Bond Counsel and Legal Questions

Any legal question with respect to state law or federal tax law that arise from preparation of a response should not be forwarded to or discussed directly with bond counsel; rather, they should be addressed pursuant to **Section 2.6** of this RFQ.

2.7 Rating Agencies and Credit Questions

Any RFQ questions with respect to the credit strength of the Commonwealth, its financing authorities, or the credit structure of its existing debt obligations should not be discussed with any employees of the following credit rating agencies: Fitch, Moody's and Standard & Poor's. Contact with the rating agencies regarding this RFQ is prohibited.

2.8 Oral Presentation

In support of their proposals, respondents may be required to make an oral presentation or participate in an oral interview with the STO not more than one calendar week after the STO has requested a respondent to do so. Failure to be prepared to make an oral presentation or participate in an oral interview within this time frame may prevent the respondent's proposal from receiving further consideration. The main point of contact proposed in the respondent's proposal must be present during these interviews.

2.9 Acceptance of Terms and Conditions

By submitting a proposal in response to this RFQ, the respondent accepts all of the terms and conditions set forth in this RFQ.

SECTION III. SCOPE OF SERVICES AND REQUIREMENTS

3.1 Background:

The Commonwealth of Massachusetts is a frequent issuer of tax-exempt debt, consistently ranking as one of the top ten issuers annually in terms of dollar volume. The State Treasurer is responsible for the issuance of almost all debt obligations of the Commonwealth, including notes, commercial paper and long-term bonds. As of June 30, 2008, the Commonwealth had approximately \$19 billion in direct long-term debt outstanding, including: approximately \$16 billion of general obligation bonds; \$1.3 billion of special obligation revenue bonds; and some \$1.5 billion of bonds secured by future federal highway aid. Based on recent bond authorizations and other forecasts, the STO expects to issue approximately \$2 billion in long-term debt per year for the next five years to support the Commonwealth's annual capital spending plan. Refundings and certain other issuance will be considered when and if market conditions make such transactions feasible. In addition to long-term debt, the STO has the authority to issue short-term debt in anticipation of long-term financing and for cash flow purposes. Cash flow borrowings over the next few years are expected to be in the \$1 billion to \$2 billion range.

The STO expects to utilize a mix of competitive and negotiated debt issuance to meet both the long-term and short-term financing needs of the Commonwealth described above. The purpose of this request is to allow the STO to select a group of firms qualified to provide investment banking and underwriting services for those debt issuances, if any, done on a negotiated basis in the event and to the extent that the Commonwealth determines that negotiated issuance of debt is in its best interest. Because such a determination will be made on a case-by-case basis, the level of activity that firms chosen pursuant to this request can anticipate cannot be stated. The STO is requesting qualification statements from firms interested in providing underwriting services on bond and note sales as Senior Manager, Co-Senior Manager, and Co-Manager. The STO anticipates selecting a team of four to six firms to serve in its senior manager underwriter pool; four to six firms to serve in its co-senior manager underwriter pool; and ten to twelve firms to serve in its co-manager underwriter pool (preliminary and subject to change). The STO reserves the right to select, in addition to the groups noted above, a selling group from firms responding to the RFQ.

Because of the number of bond/note transactions and large amount of debt obligations expected to be issued over the next three years, the STO expects each prospective book-running senior manager to propose a syndicate that includes at least one co-manager which is a minority-owned or woman-owned firm.

A final objective of selecting new pools of firms for underwriting is to enhance the demand and market of Massachusetts retail investors for Commonwealth securities. The STO desires to sell Commonwealth bonds and notes with syndicates that demonstrate a strong Massachusetts retail presence and distribution capacity.

3.2 Selection of Syndicate Members for Transactions:

It is the STO's intention to select a new syndicate for each negotiated bond sale subsequent to the completion of this RFQ process. Depending on the size of transaction and how it may be structured, the STO will likely select a senior manager for each transaction from the Senior Manager underwriter pool, 2 to 4 co-senior managers from both the Senior Manager and Co-Senior Manager underwriter pools, and 4 to 8 co-managers from the Senior Manager, Co-Senior Manager, and Co-Manager underwriter pools (these ranges are preliminary and subject to change). Firms pre-selected into underwriter pools as part of this RFQ are not guaranteed to participate in every syndicate of Commonwealth bond and note sale. The

STO reserves the right to include or exclude any firm in its syndicate, and to move firms into different underwriter pools for a given sale at its discretion. For example, firms selected to the Co-Senior underwriter pool may be selected to serve as the book-running senior manager if they provide a unique financing idea or service that is beneficial to the Commonwealth and have demonstrated a capacity to serve as a book-running senior manager.

3.3 Scope of Services

A. Book-Running Senior Manager or Co-Senior Manager: The scope of services to be provided by book-running **Senior Manager** or **Co-Senior Manager** will include, but not be limited to, the following:

- i. Develop and present options of financing structures, including optimal sizing, and sales calendar of a proposed bond financing working with the STO.
- ii. To propose a syndicate, if chosen as the book-running Senior Manager, of one or more Co-Senior Managers and at least four Co-Managers, based on firms' past coverage and support of Commonwealth sales as well as distribution capabilities, whose final inclusion in the syndicate will be determined by the STO.
- iii. Assist the STO and bond counsel in the preparation of legal documentation.
- iv. Be responsible (through underwriter's counsel) for the preparation of the preliminary and final official statement for the bond issue, in conjunction with all financing team members.
- v. Participate with the STO in the procurement of credit ratings and credit enhancement, if any.
- vi. In consultation with the STO, propose, develop and implement a detailed marketing plan for the bond sale including the identification of potential investors and market conditions for alternative structures.
- vii. Assist as needed in making presentations on proposed bond sales to potential investors, credit rating agencies, and other state officials or state boards.
- viii. Prepare and deliver preliminary pricing information to the STO at least one week prior to the scheduled sale. This information should include:
 - Actual quotations for the spread components;
 - An estimated interest rate scale detailing rates and yields;
 - Details on comparable recent sales, indicating the interest rates, spread components, ratings, etc.;
 - A description and characterization of the current market; and
 - The proposed strategy and desirability for marketing to retail customers and as well as institutional investors.

- ix. Follow the STO's policies, either oral or written, for liability, designation and retention procedures, pricing procedures and the process of selling debt obligations.
- x. Assist the STO in the successful structuring, marketing and sale of the debt obligations to achieve the lowest possible borrowing cost.
- xi. Underwrite bonds if necessary to enable an orderly pricing and to meet the STO's goals for pricing. This includes the willingness to remarket the bonds underwritten in a manner that does not effect the long-term price of the Commonwealth's bonds.
- xii. Assist the STO in the post-financing evaluation process including the timely submittal of all required reports. This post-sale summary should include:
 - The final debt service schedule for the issue and all relevant pricing information (rates and yields, arbitrage yield, true interest cost, etc.);
 - Comparison of coupon rates and yields to other comparable issues priced at or about the same time;
 - A break-down of orders between retail customers and institutional investors;
 - Orders and allotments by firm, if applicable; and
 - A discussion of any circumstances relating to the market or the STO's offering that may have impacted the sale results.

B. Co-Manager: The scope of services to be provided by co-managers will include, but not be limited to, the following:

- i. Participate, if requested, in informational and due diligence meetings;
- ii. Respond to requests from the book-running senior manager regarding preliminary pricing information, including but not limited to, estimated interest rate scale detailing rates and yields;
- iii. Assist the STO in the successful marketing and sale of the debt obligations to achieve the lowest possible borrowing cost; and
- iv. Follow the STO's policies, either oral or written, for liability, designation and retention procedures, pricing procedures and the process of selling debt obligations.

SECTION IV: EVALUATION & SELECTION CRITERIA

Selection will be based on written qualifications and oral presentations, if deemed necessary, with emphasis on the following general criteria:

- Demonstrated experience in underwriting transactions similar in size as to what the STO expects to sell over the next three years;
- Technical ability and capacity of the firm to market and sell tax-exempt bonds and notes, with

particular emphasis on issues of the Commonwealth and related entities;

- Capacity of the firm to provide other services that may be integral to a financing or integral to the Commonwealth's overall financing needs, such as remarketing, credit enhancement (liquidity), and counterparty to interest rate swaps;
- Experience of the personnel that are expected to cover the Commonwealth as well as the firm's commitment in general to the municipal business;
- Overall understanding of the Commonwealth's financing needs and objectives;
- Overall capability of the firm to provide excellent levels of performance in the related underwriting category; and
- Quality of response to the RFQ, including financing recommendations and underwriting compensation.

SECTION V: GENERAL INFORMATION

I. Background on Firm

- A. Please provide a brief description of your firm. Briefly list the lines of business, besides public finance and municipal securities, in which your firm is active.
- B. How many full-time employees does your firm currently employ? Of those, please detail how many are bankers or sales and trading professionals engaged in municipal securities business.
- C. Please describe the municipal bond department's position and level of importance in the firm, and your firm's overall commitment to Massachusetts.
- D. Discuss the management of the municipal bond department (from the head of fixed income down) and specifically the years of experience of each senior manager in the municipal market.
- E. Has your firm's municipal bond department experienced any significant staffing changes over the past 12 months? If so, please describe. Discuss any changes which could have either a positive or negative impact on the overall coverage to the Commonwealth.
- F. Please provide the location of your office at which the underwriting services will be performed. If this office is not located in Massachusetts, please identify the physical location of other offices that your firm may have in the Commonwealth and include the number of full-time employees that work in Massachusetts. Of the employees located in Massachusetts, how many are bankers or sales and trading professionals engaged in the municipal securities business?

II. Personnel

- A. Please provide the name, address, and number of staff of the firm's Massachusetts municipal finance office (if applicable).
- B. Please provide the name, address, phone number, fax number and email address of the firm's primary contact person for the STO. Please include a summary of his/her relevant experience.

Please include his/her resume as an attachment to your response (not subject to the respective page limit) under a tab entitled “**Resumes**”.

- C. Please complete **Attachment A** to identify the investment banking, sales, trading, derivative and underwriting personnel who will be directly involved in financings for the Commonwealth. In addition, please include the resumes of these individuals (not subject to the respective page limit) under a tab entitled “**Resumes**”.

III. Contacts of Firm Officials

- A. Please complete **Attachment B**.

IV. Licensing, Disclosure of Legal or Regulatory Investigations, etc.

- A. Please indicate whether or not your firm has any knowledge of any active investigations or criminal proceedings by the Securities and Exchange Commission or any other state or federal agency with regard to your public finance department and municipal trading department members or practices. If so, please provide a brief description of such investigation and the name and phone number of a person whom the STO could contact to obtain more information.
- B. Please identify any material litigation, administrative proceedings or investigations regarding your firm that is ongoing or has been settled or otherwise concluded during the past two years.
- C. Please complete **Attachment C**.

V. Affirmative Action Policies

- A. The STO is committed to diversity and equal employment opportunities among its contractors, including underwriters. Please describe your firm’s affirmative action program and activities. Please include this information as an attachment to your response (not subject to the respective page limit) under a tab entitled “**Affirmative Action Policies**”.

It is a goal of the STO that minority-owned/women-owned firms underwrite 5% of the Commonwealth’s debt obligations. In a negotiated sale, the STO has better control on the amount of participation of such firms, and will use its best efforts so that qualified minority-owned/women-owned firms are included in the selected underwriting syndicate(s). If your firm is certified by the Massachusetts State Office of Minority and Women Business Assistance (SOMWBA), or has submitted an application for certification to SOMWBA by the deadline for submission of responses, please indicate that in your response. This is strictly voluntary. For a definition of minority-owned or women-owned firm, please see Massachusetts General Laws chapter 7 section 40(b).

VI. Credit Strength

- A. Please provide your firm’s long-term ratings from Fitch, Moody’s and Standard & Poor’s for each of the last two years. Please comment on any relevant events that may have caused any of the rating agencies to change their rating or place such rating under review. Please be concise and specific; do not attach the rating reports from the rating agencies.

VII. Underwriting Experience and Capacity

- A. Please summarize your firm’s experience as a book-running senior manager, co-senior manager, co-manager or selling group member of negotiated tax-exempt general obligation and special revenue bond issues from January 1, 2006 to year-to-date 2008. Please list (in tabular form) the twenty (20) largest issues for which you acted as a book-running senior manager, co-senior

manager, or co-manager – depending on which role you are proposing your firm to be qualified for. For each issue, please list your firm's role, the issuer, the overall size of the issue, and the sale date. For purposes of this question, "largest" should be defined as the amount of bonds allotted to your firm.

- B. Please describe your firm's underwriting experience for tax-exempt or taxable obligations of issues of \$500 million or more for issuers outside of Massachusetts from January 1, 2006 to year-to-date 2008. Include, at a minimum, the name of the issue, the name of the issuer, the sale date, the size of the issue, whether the interest rate was fixed or variable, and the role of your firm. Please include the orders placed by your firm, the amount of bonds allotted to your firm, and the amount of bonds allotted to your firm that were not represented by going-away orders.
- C. Please describe your firm's underwriting experience for tax-exempt obligations issued by the Commonwealth and/or its financing authorities from January 1, 2006 to year-to-date 2008. Include, at a minimum, the name of the issue, the name of the issuer, the sale date, the size of the issue, whether the interest rate was fixed or variable, and the role of your firm. Please include the orders placed by your firm, the amount of bonds allotted to your firm, and the amount of bonds allotted to your firm that were not represented by going-away orders.
- D. Provide a listing of your other state clients, noting whether you provide senior managing underwriter or co-managing underwriter services.
- E. Provide three state references that may be contacted during this RFQ process.
- F. Please provide your firm's experience in underwriting competitive bond sales from January 1, 2006 to year-to-date 2008. For each year, specifically list the volume of bonds underwritten in competitive transactions and number of issues.
- G. Discuss your firm's institutional bond sales capability. Separately, please discuss your firm's retail bond sales capability.
- H. Please provide examples of the competitive strengths that you would ascribe to your bond sales area. Please provide the number of traders working in municipal securities that are dedicated to institutional sales and the number dedicated to retail sales.

VIII. Capital Structure / Ability and Willingness to Commit Capital:

- A. Please discuss your firm's capital structure, including its total capital, equity capital, and uncommitted excess net capital as of the close of your firm's most recent quarter. In particular, please:
 - i. indicate how much of your firm's uncommitted excess net capital is allocated to the municipal finance area of your firm, with comparable data for 2006, 2007 and year-to-date 2008;
 - ii. indicate the amount which your firm, based upon your answer to part (i), could put at risk for participation in a single Commonwealth bond transaction or note transaction (a.) as a legal matter and (b.) realistically in accordance with firm policy and practices; and
 - iii. provide examples of situations in which your firm has used its capital to support the effective and orderly sale and market distribution of issuers' tax-exempt bonds.
- B. In the past year, what are the three largest positions your firm has taken down into inventory on a senior managed transaction? List the issuer, amount, and type of bond (i.e. serial, term, etc.). In

the past six months, what are the three largest positions your firm has taken down into inventory on a senior managed transaction? List the issuer, amount, and type of bond.

- C. Excluding Auction Rate Securities, VRDBs, and other securities with maturities less than three years, what has been your average daily inventory of tax-exempt debt over the last year? If you maintain a proprietary trading position, please break this out separately.
- D. What has been your average daily position in VRDBs over the past 6 months?

IX. Exposures, Expected Write Downs, Etc.

- A. Discuss the extent of your firm's involvement in the subprime mortgage market. Does this involvement pose any capital, credit, or other risk to the firm in general or to your fixed income securities group in particular?
- B. Please summarize the write downs your firm has taken over the past 12 months on CDOs, mortgaged-backed securities, etc. Does the firm anticipate additional write downs in the next quarter?

X. Financing Recommendations

- A. Given the Commonwealth's existing general obligation debt portfolio (including the mix of fixed rate vs. variable rate bonds, the types of variable rate structures, the callability of the existing GO portfolio, the amortization schedule, credit enhancement, etc.), please provide a short case study in how you would recommend the STO issue the approximately \$7.5 billion in GO bonds expected to be sold through Fiscal 2012 (per the administrative bond cap) to meet the state's capital budget needs. Your answer should include recommendations on the type of bond sales, the timing of bond sales, the type of debt (fixed vs. variable), the structure of bonds, call features, the use of derivatives, the reinvestment of proceeds, the use of credit enhancement, etc. Please be as specific as you can and provide rationale for each of your recommendations, to the extent possible. Please limit your response to five pages.
- B. Given the Commonwealth's existing debt portfolio of general obligation bonds, special obligation bonds, and grant anticipation notes, and given the STO's 4% present value threshold for refundings, please describe a refunding opportunity that your firm has identified that the Commonwealth may be able to execute over the next three months if current market conditions hold. Please limit your response to two pages.
- C. Please discuss the impact the tightened credit environment is likely to have on Commonwealth bond issues over the next year.
- D. Discuss how your firm could be helpful to the STO as it seeks to develop a stronger retail demand base in Massachusetts. Discuss any specific recommendations that you would propose for the STO to consider.
- E. Please describe the methodology your firm employs or would employ to generate going-away retail orders for Massachusetts investors in connection with the negotiated sale of Commonwealth bonds. In particular, please comment on the appropriate use of a separate retail order period preceding the institutional pricing of a Commonwealth bond issue (if any), its optimal length, the rules which should govern such a period, and the extent to which particular market conditions or other factors related to any specific issuance would change your recommendations.
- F. Using the market as of close of business, September 10, 2008, please indicate, by maturity (one

through thirty years):

- i. where your firm estimates that Commonwealth general obligation bonds trade and their relationship to the generic Municipal Market Data's AAA scale; and
 - ii. discuss the elements of a strategy that the Commonwealth could employ to improve the initial pricing and secondary trading relationships of Commonwealth general obligations bonds to such a scale.
- G. In the context of a negotiated sale, please describe a compensation or designation method that you would suggest that the Commonwealth would use, taking into consideration the reaction of both buyers and syndicate members, which could help the Commonwealth achieve lower all-in rates.
- H. Based on your evaluation of current holders of Commonwealth bonds (both general obligation bonds and special obligation bonds), please comment on the relative importance of various buyer segments for future bond sales (e.g., retail, property and casualty companies, bond funds, relative value, etc.) both currently and in general. Are there any segments that you believe are "underrepresented" in recent Commonwealth sales? If so, suggest ways in which the Commonwealth could target those segments.
- I. In the past, the Commonwealth has typically used the MMD AAA scale to evaluate pricing levels of its negotiated and competitive sales. What are the benefits and disadvantages of relying on MMD's data? What alternative benchmarks, if any, could the Commonwealth use for this purpose?
- J. Over the last several years, the MSRB has collected and made available substantial data on secondary market trades. How, if at all, could the Commonwealth use this data cost effectively to track its secondary trading relationship, monitor trading after initial negotiated sales, or otherwise improve the pricing of its bonds?

XI. Derivatives

- A. Please provide a full description of your proposed interest rate swap counterparty and its credit rating history. If you propose a special purpose vehicle, is it a continuing or terminating structure? If you use a third party for credit enhancement, please list the name or names of third parties that you would propose to use on interest rate swaps with the Commonwealth.
- B. The Commonwealth requires that swap counterparties enter into a Credit Support Annex on its interest rate swaps, with one-way collateral posting by the interest rate swap dealer. Are you able to comply with this requirement?
- C. Please list the three (3) best swap-related ideas that you are seeing in the current market as they relate to the Commonwealth. Responses to this question are limited to two (2) pages.

XII. Costs

- A. Please complete Attachment X, Underwriting Fees for a \$500 million Bond Issue. Please note: for an actual negotiated sale of bonds, the STO reserves the right to negotiate all components of the underwriter's spread.
- B. Please propose an all-in spread to mid-market for interest rate swaps between your firm and the Commonwealth for a \$500 million tax-exempt (SIFMA) 20-year and 30-year floating-to-fixed interest rate swap structured with a 10-year option call.

XIII. Other

- A. Please discuss any other factors not mentioned above which you believe should be considered in connection with the consideration of your firm.

XIV. Legal Disclosure Certification

- A. Please complete **Attachment E**.

Attachment A

Personnel Experience

Firm: _____

Identify key personnel (including Investment Bankers, Underwriters, and Traders) that will be directly involved in Commonwealth financings.

Name	Title	Office Location	Role	How Long In Current Position	How Long Employed at Current Firm	How Long in Municipal Industry
------	-------	--------------------	------	------------------------------------	-----------------------------------------	--------------------------------------

Attachment B

Contacts at the Firm

Primary Contact with State Treasurer's Office

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Contact to receive all RFQs

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Chair of the Board (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Chief Executive Officer (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Head of Public Finance Department (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Bond Pricing Contact (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Attachment C

Disclosure, Licensing, Registration, Disciplinary Action and Litigation

DISCLOSURE

1. Describe your firm's organizational structure (e.g. partnership, corporation, etc.) and list any controlling stockholders, general partners, or principals. Also list any subsidiaries, joint ventures, consultants, lobbyists, sub-contractors or agents that have relationships with your firm and relate in any way to your proposed business with the Commonwealth of Massachusetts.
2. Describe any services currently provided by your firm for the State Treasurer's Office, the Executive Office for Administration and Finance or any trust, board, commission or authority on which the Treasurer and Receiver-General or the Secretary for Administration and Finance is a member or trustee.
3. Please describe your firm's compliance with MSRB G-37. Has your firm or any person or entity associated with your firm (and covered by Municipal Securities Rulemaking Board Rule G-37) made any contributions during the past three years, directly or indirectly, to an official of the Commonwealth of Massachusetts? If the answer is "yes", please provide the name and contact information of such individual or entity.
4. Did your firm or will your firm, its related entities or any individual listed in response to question 1. above, provide, agree to provide, or arrange to provide any compensation or benefit, direct or indirect, to any individual or entity, including without limitation, lobbyists, consultants or agents, whether related or unrelated to your firm, for their services in your firm's obtaining its engagement for the provision of services to the Treasurer and Receiver-General or the Secretary for Administration or any trust, board, commission or authority on which either principal is a member or trustee? If the answer is "yes", please provide the name and contact information of such individual or entity and a description of the services performed by them and the compensation or benefit.
5. Has your firm, its related entities or any individual listed in response to question 1. above, agreed to share any fees with any person or entity, whether related or unrelated, with respect to your firm's proposed engagement with Commonwealth of Massachusetts or to either the Treasurer and Receiver-General or the Secretary for Administration and Finance or any trust, board, commission or authority on which either principal is a member or trustee? Please describe such arrangements, and whether or not any fees have actually been shared.
6. Does your firm, its related entities or any individual listed in response to question 1. above, have any ongoing arrangement with any unrelated individual or entity with respect to sharing of fees that would be received from services provided to the Commonwealth of Massachusetts or to either the Treasurer and Receiver-General or the Secretary for Administration and Finance or any trust board, commission or authority on which either principal is a member or trustee? Please describe such arrangements.

7. Does your firm have any arrangements, agreements or relationships similar to those listed in questions 1-6 above for business related to any other issuer of tax-exempt bonds or notes within the Commonwealth? If so, please describe.

LICENSING, REGISTRATION, CERTIFICATIONS

Yes No

7. Does your firm have an active Broker-Dealer license issued by the Securities and Exchange Commission (SEC) in the name of the firm?

8. Is your firm required by the SEC or the Financial Industry Regulatory Authority (FINRA) to file Financial and Operational Combined Uniform Single Reports (FOCUS Reports)? If so, please provide a copy of your most recent FOCUS Report. If your firm is not required to file a FOCUS Report, please provide a copy of your firm's most recent audited financial statement.

9. Is your firm a current member in good standing with the FINRA?

10. Does your firm have an active current registration as a Broker/Dealer with the Massachusetts Secretary of State's Securities Division?

11. Please provide each of the following:

Firm's SEC File Number _____

Firm's Central Registration Depository (C.R.D.) Number _____

Identification of one employee with a FINRA series 53 license:

Name _____

Title _____

Office Location _____

DISCIPLINARY ACTION & LITIGATION

12. Within the past 24 months, has your firm or any of its current principals been the subject of an investigation by the SEC, FINRA, the Massachusetts Attorney General's Office, the Massachusetts Secretary of State's Securities Division or any other governmental or securities industry-based regulatory agencies?

13. Within the past 24 months, has your firm, any of its principals or your parent company been involved in any litigation, arbitration, disciplinary or other official actions arising from the firm's underwriting, underwriting practices or management, or the purchase, sale or distribution of taxable or tax-exempt municipal securities or other governmental obligations (other than individual retail customer claims) by the SEC, FINRA, the Massachusetts Attorney General's Office, the Massachusetts Secretary of State's Securities Division or any other governmental or securities industry-based regulatory agencies?

14. Within the past 24 months, has your firm, any of its principals or your parent company been convicted of any crime related to the conduct of the firm's business or been assessed or paid judgments in excess of \$1 million related to the conduct of the firm's business?

If you responded "No" to any of **Questions 7 - 10** or if you responded "Yes" to **Questions 12 - 14**, please provide an explanation.

Please note that this disclosure statement should be read broadly and any perceived ambiguity should either be resolved in favor of disclosing the information, or be raised with the STO for resolution. This disclosure request serves as notice to your firm, and all other financial service firms doing business with the STO, that all future relationships like those described in this questionnaire be disclosed in writing to the STO at such time such agreement is entered into.

This request for disclosure should be completed in the format as provided herein and must be signed according to **Attachment E**. All responses will be deemed representations of the firm providing this disclosure. Staff of the STO may request additional information, including copies of any relevant contracts or agreements described herein. Persons or organizations described in any of the responses provided may be requested by the Commonwealth to provide information with respect to any arrangements described herein and may be requested to provide a separate disclosure statement. The STO reserves the right to change the form of this disclosure statement.

Attachment D**Underwriting Fees for a \$500 million Bond Issue**

Commonwealth of Massachusetts State Treasurer's Office
Detail of Underwriters' Fee for \$500 Million Bond Issue

	Amount	Per Bond
Legal	\$0	\$0.000000
CUSIP/BMA/Syndicate Services	0	0.000000
Day Loan Interest	0	0.000000
Computer	0	0.000000
Clearance	0	0.000000
Telephone/Fax/Taxi/FedEx	0	0.000000
DTC Charges	0	0.000000
Travel	0	0.000000
Expenses	\$0	\$0.000000
Book Running Senior Managing Underwriter	\$0	\$0.000000
Co-Senior Management Underwriter	0	0.000000
Co-Senior Management Underwriter	0	0.000000
Management Fee	\$0	\$0.000000
Takedown	\$0	\$0.000000
Serial Bonds	0	0.000000
Term Bonds	0	0.000000
Takedown	\$0	\$0.000000
Total Spread	\$0	\$0.000000

Attachment E

**(INSERT NAME OF FIRM)
LEGAL DISCLOSURE CERTIFICATION**

I, (Person's name), Managing Director, certify as follows:

I am a Managing Director of (NAME OF FIRM) (the "firm") and am authorized to execute this Certification on its behalf.

The firm is interested in providing underwriting services to the Commonwealth of Massachusetts and has submitted a Statement of Qualifications to the State Treasurer's Office in order to be considered for placement in a pool of firms which may provide such services.

In the Statement of Qualifications, the firm has responded to questions regarding Disclosure, Licensing, Registration, Disciplinary Action and Litigation (**Attachment C**), as specified, in connection with offerings of taxable or tax-exempt municipal securities or other governmental obligations in Massachusetts transactions and nationwide.

The firm agrees to provide quarterly updates no later than 30 days after March 31st, June 30th, September 30th and December 31st to the State Treasurer's Office regarding changes to the information submitted in **Attachment C**, including information about legal proceedings originating after submission of the Statement of Qualifications. I understand that if the firm fails to submit the mandatory quarterly update within one week of the required date, the firm may be suspended from the underwriter pool and would be required to request reinstatement.

I certify that I have reviewed the requirements for updating the State Treasurer's Office regarding legal proceedings as outlined in the Request for Statement of Qualifications, and I agree, on behalf of the firm, to fulfill the requirements outlined therein.

(FIRM'S NAME)

(Person's name)

DATE: _____

Managing Director

Attachment F

NORTHERN IRELAND NOTICE AND CERTIFICATION

A Northern Ireland Notice and Certification is required by Massachusetts law. Please complete the certification provided below and include with your firm's RFQ submission (not subject to the Statement of Qualifications page limit) under a separate tab entitled "**Northern Ireland Notice**". All bidders must complete the Northern Ireland Notice and Certification form to satisfy M.G.L. c.7 section 22C, which states that no state agency may procure commodities or services from any bidder employing ten (10) or more employees in an office or other facility located in Northern Ireland unless the bidder certifies through the notice and certification form that if it employs ten or more employees in Northern Ireland, a) the bidder does not discriminate in employment, compensation or the terms, conditions and privileges of employment on account of religious or political belief, b) the bidder promotes religious tolerance within the workplace and the eradication of any manifestations of religious and other illegal discrimination and, c) the bidder is not engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles or military aircraft for use or deployment in any activity in Northern Ireland. Each bidder must complete and return this form with its response, even if not applicable, in order to be considered responsive.

State agencies, state authorities, the House of Representatives or the state Senate may not procure goods or services from any person employing ten or more employees in an office or other facility located in Northern Ireland who fails to complete the certification below as required by M.G.L. c.7 section 22C:

____ The bidder does not employ ten or more employees in an office or other facility in Northern Ireland.

____ The bidder employs ten or more employees in an office or other facility located in Northern Ireland and certifies that:

- 1) the bidder does not discriminate in employment, compensation, or the terms, conditions and privileges of employment on account of religious or political belief; and
- 2) the bidder promotes religious tolerance within the work place, and the eradication of any manifestations of religious and other illegal discrimination; and
- 3) the bidder is not engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles or military aircraft for use or deployment in any activity in Northern Ireland.

Signed under the pains and penalties of perjury on this ____ day of _____, ____.

Bidder Name

X_____
Signature of Authorized Representative Signing on Behalf of Bidder

Print Name of Authorized Representative of Bidder

Print Title of Authorized Representative of Bidder